

FINANCIAL SUSTAINABILITY BRIEFING NOTE

APPROACH FOR REALIZING REQUIRED SAVINGS

Date: August 2013
For: All Surgeons
From: Edmonton Zone Surgical Dyad

Background

- The Edmonton Zone is **experiencing significant budget constraints** related to the Surgical Departments at each site.
- The Zone Surgical Dyad is working with Zone and Covenant Health Leaders to implement a framework for Financial Sustainability to proactively help sites **work within the available resources, while maintaining as high case volumes as possible.**

Issue: What is the magnitude of the situation?

- After considering the constraints of the new budget (i.e. general reductions, planned contingency, corrections for previously incorrectly allocated funds, etc.) the **overall budget reduction is approximately 5%.**
- If costs continue at the same rate as the previous fiscal year (2012/13), the net impact on case volumes would need to be **a reduction of approximately 2,500 cases across the Zone to come in on budget.**

Update: What work has been done so far?

- An open-book process has been used to distribute the available budget at each site between each Surgical Division. This budgeting process:
 - Takes account of each Surgical Division's **allocation of resources in the previous fiscal year** (i.e. time and activity), and **what it costs to perform each case type**, and
 - **Allocates an equal proportion of the required cost savings to every Surgical Division.**
- Financial monitoring tools have been set up to provide greater visibility into the site, division, surgeon, and procedure level costs.
 - The goal of this is **highlight where the greatest opportunities are to make material savings**, so that Surgical Divisions can work together towards coming in on budget.

Expectations: What is going to happen next?

- This work is going on in parallel with an assessment of current resource allocations, **which may result in re-allocations based on the access needs of patients.**
- In the meantime, each Surgical Division is being given the opportunity to make savings and show that costs are moving in the right direction. The intention is that:
 - Surgical Divisions that are unable to stay within their allocated budget will be **disproportionately affected by closures**, whereas
 - For Surgical Divisions that are able to bring their costs within budget, **additional savings will be kept within the Division for performing additional cases.**